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To: Members of the Senate Committee on Financial Institutions and Rural Issues  
From: Sen. Glenn Grothman  
Re: Senate Bill 364

Thank you for taking the time to consider this simple and bipartisan bill.

As you know, current law in Wisconsin allows a deduction for Edvest College Savings account contributions which can be used to cover post-secondary expenses. This bill, co-sponsored by Representative Thiesfeldt and I, will allow a deduction for up to \$2,000 per year, per beneficiary for funds deposited in a Coverdell Education Savings Account (CESA).

Since a CESA can be used for K-12 as well as post-secondary education, it is important to offer this as another helpful tool to students and their parents and guardians who wish to explore private schooling options that may be available to them, especially since their stake in public education via their tax contribution does not diminish simply because alternatives to public schools are chosen.

The revenue decrease (of under one million dollars) triggered by this bill is comparatively small (and likely to be absorbed by agency budget) and will offer a measure of relief to families who have decided on educational opportunities for their children outside of where their tax money is spent.

Thank you again for considering this bill which offers yet another opportunity for Wisconsin to send the message that our students and their families will be rewarded for carefully considered educational pursuits regardless of what choices they make now or in their futures.



# Jeremy Thiesfeldt

STATE REPRESENTATIVE • 52nd ASSEMBLY DISTRICT

## Testimony – Senate Bill 364

Good afternoon Chairman Grothman, members of the committee.

I am here today to urge your support for Senate Bill 364. The purpose of this bill is simple: to create a new Wisconsin individual income tax deduction, up to \$2,000, when deposited into a Coverdell Education Savings Account (CESA).

In a fall survey that I offered my district constituents 66% stated yes to this question: Do you support increasing state tax deductions to encourage saving for educational purposes? There were 537 respondents. This is a highly popular and needed change.

As you are aware Wisconsin currently allows a deduction for Edvest College Savings account contributions. Edvest only covers post-secondary expenses. A CESA also allows certain educational expenses to be deducted for K-12 and post-secondary expenses. CESA's grow tax free much like an Edvest account. Both accounts do not allow for a federal tax deduction. Wisconsin allows for a \$3000 tax deduction per year per person for contributions to an Edvest account. This bill will allow a state income tax deduction for contributions to a CESA as we also allow the deduction for Edvest. The main difference though is that money invested in a CESA can also be used for K-12 expenses in addition to the college expenses.

This bill is needed to help those parents who are paying for their K-12 student's tuition at a private or parochial school. Incentives such as CESA and Edvest have been very important in helping parents and students save for college. We see so many people coming out of college with large accumulated debts. Allowing a state tax deduction for a CESA for those families choosing not to use the public school system, will allow those same families to be less likely to incur school-related debts even prior to college years beginning.

There are two areas of savings that will result from this bill. An average family may save a couple of hundred dollars on their tax return. The legislative fiscal bureau estimates a revenue decrease of just under \$1 million dollars cumulatively for the state. Secondly, since Wisconsin invests in our public K-12 schools based on student enrollment, if the classrooms of tuition-based schools were full, the state would be responsible for the cost of educating fewer students. This would create savings in state aid payments and create less need for public school building projects, by maximizing the classroom space in our communities.

Currently, the maximum allowable contribution to a CESA is \$2,000 each year per beneficiary, although that contribution amount phases down as a contributor's modified adjusted gross income (MAGI) increases from \$95,000 to \$110,000, or from \$190,000 to \$220,000 for a married couple filing jointly. No contributions are allowed once a contributor's MAGI is above the phase-out range.

In summary, the point of this bill is to help families with education costs by merely mirroring the Edvest program for K-12.

*Serving the City of Fond du Lac and the Communities of North Fond du Lac, Eldorado, Taycheedah and Friendship*